SUBCOMMITTEE NO. 3 Agenda
Health, Human Services, Labor & Veteran's Affairs

Chair, Senator Denise Ducheny

Senator Wesley Chesbro
Senator Dave Cox

April 17th, 2006

11:00 AM

Room 4203
(John L. Burton Hearing Room)

(Diane Van Maren)

Item	Department
4280	**Managed Risk Medical Insurance Board—*Selected Issues***
4260	**Department of Health Services—*Selected Issues***

- **Medi-Cal Program Issues related to Healthy Families**
- **Medi-Cal State Support Issues**
- **Public Health—Selected Issues**

PLEASE NOTE:

Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair. Thank you.

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I. 4280 Managed Risk Medical Insurance Board

A. OVERALL BACKGROUND

Purpose of the Board. The Managed Risk Medical Insurance Board (MRMIB) administers programs, which provide health care coverage through private health plans to certain groups without health insurance. The MRMIB administers the: **(1)** Healthy Families Program, **(2)** Access for Infants and Mothers (AIM) and **(3)** Major Risk Medical Insurance Program.

Overall Governor's Proposed Budget. The budget proposes total expenditures of $1.2 billion ($379.7 million General Fund, $732 million Federal Trust Fund and $105.6 million in other funds) for all programs administered by the Managed Risk Medical Insurance Board. This funding level represents a net increase of $126.9 million ($49.7 million General Fund) over the revised current-year. The net increase is due to changes in the Healthy Families Program as discussed below.

Summary of Expenditures (dollars in thousands)	**2005-06**	**2006-07**	**$ Change**	**% Change**
Program Source				
Major Risk Medical Insurance Program (including state support)	$45,973	$42,003	-$3,970	-8.6
Access for Infants & Mother (including state support)	$118,237	$115,409	-$2,828	-2.4
Healthy Families Program (including state support)	$915,717	$1,055,638	$139,921	15.3
County Health Initiative Program	$10,436	$4,204	-$6,232	59.7
Totals Expenditures	**$1,090,363**	**$1,217,254**	**$126,891**	**11.6**
Fund Sources				
General Fund	$329,972	$379,662	$49,690	15.0
Federal Funds	$643,628	$731,959	$88,331	13.7
Other Funds	$116,763	$105,633	-$11,130	9.5
Total Funds	**$1,090,363**	**$1,217,254**	**$126,891**	**11.6**

B. ITEM FOR "VOTE ONLY"—Managed Risk Medical Insurance Board

1. Access for Infants and Mothers (AIM) Program—Program Estimate

Issue. A total of $114.5 million ($50.5 million Perinatal Insurance Fund and $63.9 million federal funds) is proposed for AIM in 2006-07. This funding level reflects a reduction of $2.9 million (total funds) over the revised current-year. This reduction is due to the transition of the program as referenced below. **No changes to the development of the fiscal calculations are proposed.**

A total of 12,137 women and 8,304 second-year infants are expected to utilize AIM.

Additional Background Information. The Access for Infants and Mothers (AIM) Program provides health insurance coverage to women during pregnancy and up to 60 days postpartum, and covers their infants up to two years of age. Eligibility is limited to families with incomes from 200 to 300 percent of the poverty level. Subscribers pay premiums equal to 2 percent of the family's annual income plus $100 for the infant's second year of coverage.

As of July 1, 2004, infants born to AIM women are automatically enrolled in the Healthy Families Program (HFP) at birth. Infants born during 2004-05 to AIM mothers who enrolled in AIM prior to July 1, 2005 will remain in AIM through two years of age. Therefore, infant enrollment is declining and shifting to the HFP. This is because infants will age out of the AIM Program at two years old while no new infants will be enrolled after July 1, 2004, unless the AIM mother was enrolled prior to that date. **Therefore, the AIM Program is transitioning to focusing only on pregnant women and 60-day post partum health care coverage.**

Subcommittee Staff Recommendation. It is recommended to approve this baseline budget pending receipt of the Governor's May Revision. **No issues have been raised.**

C. ITEMS FOR DISCUSSION—Managed Risk Medical Insurance Board

1. Healthy Families Program—*Baseline Program and Caseload Estimate*

Issue. A total of $1.047 billion ($377.2 million General Fund, $659.6 million Federal Title XXI Funds, $2.2 million Proposition 99 Funds, and $8.1 million in reimbursements) is proposed for the HFP, excluding state administration. This reflects an increase of $138.7 million ($50.5 million General Fund), or 15.3 percent over the revised current-year.

The budget assumes a total enrollment of 933,111 children as of June 30, 2007, an increase of 105,813 children over the revised current year enrollment level or a growth rate of 12.8 percent. This projected enrollment level reflects a higher growth trend primarily attributable to **(1)** proposed modifications to the enrollment process; **(2)** increased funding for outreach; and **(3)** a proposed incentive plan for the Certified Application Assistance Program. **Each of these issues will be discussed below individually.**

Total enrollment is summarized by population segments below:

- Children in families up to 200 percent of poverty: 643,746 children
- Children in families between 201 to 250 percent of poverty: 211,631 children
- Children in families who are legal immigrants: 17,689 children
- Access for Infants and Mothers (AIM)-Linked Infants 14,149 children
- New children due to restoration of Certified Application Assistance 33,496 children
- New children due to modifications in the enrollment process 12,400 children

Overall Background on the HFP. The Healthy Families Program (HFP) provides health, dental and vision coverage through managed care arrangements to uninsured children (through age 18) in families with incomes up to 250 percent of the federal poverty level, who are not eligible for Medi-Cal but meet citizenship or immigration requirements.

The benefit package is modeled after that offered to state employees. Eligibility is conducted on an annual basis.

In addition, infants born to mothers enrolled in the Access for Infants and Mothers (AIM) Program (200 percent of poverty to 300 percent of poverty) are immediately enrolled into the Healthy Families Program and can remain under the HFP until *at least* the age of two. If these AIM to HFP two-year olds have families that exceed the 250 percent income level, then they would no longer be eligible to remain in the HFP.

Table: Summary of Eligibility for Healthy Families Program

Type of Enrollee	Family Income Level	Comment
AIM infants (born to AIM mothers)	200 % to 300 %	Up to 2-years only, if above 250 %. Otherwise, through age18.
Children 1 to 5 years of age	Above 133% to 250%	Children this age who are under 133% are eligible for Medi-Cal.
Children 6 years up through age 18.	101 % to 250%	Children this age who are 100% and below are eligible for Medi-Cal.
Some children enrolled in county "healthy kids" programs. (AB 495 projects)	250% to 300%	State provides federal S-CHIP funds to county projects as approved by MRMIB.

Families pay a monthly premium and copayments as applicable. The amount paid varies according to a family's income and the health plan selected. Families that select a health plan designated as a "community provider plan" receive a $3 discount per child on their monthly premiums.

The Budget Act of 2004 and accompanying trailer bill language increased the premiums paid by higher income families effective as of July 1, 2005. Specifically, as of July 1, 2005, families with incomes between 200 percent and 250 percent of poverty will pay $12 to $15 per child per month (currently it is $4 to $9 per child). The family maximum per month will be $45 (currently it is $27 per family) for these families.

Families below 200 percent of poverty pay premiums ranging from $4 to $9 per child per month, up to a family maximum of $27 per month. This premium level has not changed.

California receives an annual federal *allotment* of Title XXI funds (federal State-Children's Health Insurance Program) for the program for which the state must provide a 35 percent General Fund match. The federal allotment slightly varies contingent upon appropriation by Congress. This is *not* a federal entitlement program.

Legislative Analyst's Office Recommendation—Caseload Estimate is Over Budgeted. The LAO believes that the MRMIB has over estimated the level of funding required to fund the HFP caseload based on recent enrollment data.

In the LAO Analysis released in February, the LAO recommended a reduction of $40 million ($14 million General Fund) from the HFP budget. However since this time, the LAO has received new HFP caseload data and believes the reduction should be even higher. **As such, the LAO will be reviewing the Governor's May Revision estimate for both the current-year and budget-year to see what exact adjustments may be warranted.**

Subcommittee Staff Recommendation. It is **recommended to direct the LAO to review caseload information at the time of the Governor's May Revision when updated caseload information for both the current-year and budget-year will be available.** Therefore, it is recommended for the Subcommittee to adopt the baseline budget pending receipt of the May Revision.

Questions. The Subcommittee has requested the MRMIB to respond to the following questions.

1. MRMIB, Please provide a brief summary of the request, highlighting the caseload aspect.

2. Trailer Bill Language—Eliminate Potential for Duplicative Enrollment
(See Hand Out for Trailer Bill Language)

Issue. The MRMIB is proposing to make several changes regarding the linkage between the Access for Infants and Mothers Program (AIM) and the Healthy Families Program (HFP). **These changes would require a *one-time time* only augmentation, as well as statutory changes proposed through trailer bill legislation.**

First, a *one-time only* increase of $300,000 ($105,000 General Fund) is requested for the Administrative Vendor to make system changes. The purpose of this HFP system change would be to eliminate the potential for AIM-linked infants to be enrolled in either the no-cost Medi-Cal Program or private insurance, as well as in the HFP.

Once implemented the proposal is to result in *annual savings* to the state of about $951,000 ($333,000 General Funds). These savings would come from not enrolling infants into the HFP who are already enrolled in no-cost Medi-Cal or employer supported insurance. It is assumed that system changes would be effective as of July 1, 2007 (i.e., next fiscal year).

The proposal would also expedite HFP enrollment for infants born to AIM mothers by allowing MRMIB to redirect a portion of the AIM subscriber contribution to the HFP account and to apply this money towards the infant's HFP premium for a period of HFP enrollment.

The Administration is proposing trailer bill legislation to amend the HFP and AIM statutes to make the above referenced changes. Specifically, the proposed trailer bill legislation would do the following:

- Identify AIM-linked infants who are enrolled in no-cost Medi-Cal or employer sponsored insurance at the time of registration (and therefore not eligible for the HFP);
- Enable the MRMIB to assess an additional HFP subscriber contribution as part of the AIM subscriber contribution and require that this portion of the AIM subscriber contribution be used as *pre-payment* of the HFP premium for an AIM-linked infant's initial enrollment into the HFP; and
- Provides for the transfer of the above contribution from the mother's AIM account to the child's HFP account.

According to the MRMIB, over 20 infants each month are enrolled in the HFP as AIM-linked infants ***and*** also are enrolled in no-cost Medi-Cal. As such, California and the federal governments may be paying twice for the coverage of these infants. In addition, it is unknown how many AIM-linked infants are enrolled in employer sponsored health care coverage, since the current enrollment process does not require the disclosure of this information. **Therefore, the MRMIB is recommending the Administrative Vendor system changes and trailer bill legislation to prevent dual enrollment (i.e., in the HFP and Medi-Cal or employer sponsored coverage) and to clarify the subscriber payments.**

Additional Background on AIM and HFP Relationship. The Budget Act of 2003, and accompanying trailer bill legislation, provided for the automatic enrollment of infants into the HFP when born to AIM mothers who were enrolled in AIM on or after July 1, 2004 (i.e., AIM-linked infants). This action was proposed by the Administration because the contract costs in AIM were increasing steadily and the cost for providing health care services for the infants would be less in the HFP than in AIM. Prior to this change, AIM infants were eligible for AIM up to the age of two years.

Currently, AIM requires an enrollee to pay 1.5 percent of her household income as the family contribution towards the cost of participation in AIM. To enroll the infant born of this pregnancy in the HFP, an additional $15 premium payment is required. According to the MRMIB, the requirement for a separate HFP premium can lead to delays in enrollment of the infant. Under current law MRMIB does not have the authority to charge an AIM subscriber for care provided to her child in the HFP, which is a separate program.

Subcommittee Staff Recommendation. No issues have been raised by Subcommittee staff or the Legislative Analyst's Office. It is recommended to adopt the trailer bill language.

Questions. The Subcommittee has requested the MRMIB to respond to the following questions.

1. **MRMIB,** Please provide a brief summary of the proposal, including the request for one-time funding and the trailer bill legislation.

3. Proposal to Streamline HFP Enrollment Process ***(See Hand Out for Trailer Bill Language)***

Issue. The MRMIB **is proposing trailer bill language and two budget adjustments to modify the HFP enrollment process. Each of these pieces is discussed below. Generally, these proposals do not change any program requirements. Instead they place emphasis on getting applicants enrolled by shifting requirements to *post-enrollment* instead of *pre-enrollment.***

First, trailer bill language and program regulation changes are proposed that would modify the HFP enrollment process to ***discontinue*** requiring applications to **(1)** submit a premium at the time of the HFP application, and **(2)** make a plan selection at the time of initial HFP application. ***Instead,* HFP applicants would pay their premium upon actual enrollment into the program and would have up to three months to choose a health care provider**. Under this new enrollment process if no immediate health plan choice is made, the default would be to place the child into the community-based plan with the option to change to another plan within three months.

***Second,* an increase of $9.5 million ($3.4 million General Fund) is proposed for local assistance to support an increased caseload of 12,400 children and the associated costs for children who are anticipated to enroll earlier in the program due to the enrollment processing changes.** This increased amount includes $9.1 million in expenditures for payments to health, dental and vision plans, and about $400,000 for Administrative Vendor processing.

Of the $9.1 million amount for health, dental and vision plan payments, about $3.9 million would be for new enrollments. The remaining $5.6 million is the estimated costs for children who would enroll earlier.

***Third,* an increase of $91,000 ($32,000 General Fund) is requested to hire an Associate Governmental Program Analyst on a *two-year limited-term* basis to implement changes to the HFP processes. Specifically, this position would do the following key activities:**

- Develop regulation changes necessary to implement the changes to health plan selection and premium collection at initial application;
- Make revisions for the auto-assignment of health plans and coordinate system changes and testing;
- Coordinate with the Administration Vendor (presently Maximus), DHS, CHHS Agency and others on the implementation plan and schedule for expanding the use of Health-e-App;
- Develop and implement ad hoc reports for monitoring the effect of changes; and
- Develop and maintain monthly progress reports on implementation activities, prepare Board presentations, attend biweekly progress meetings.

Fourth, the MRMIB proposes to expand the availability of the **"Health-e-App",** a web-based application that is now only available through Certified Application Assistants and some counties. **This action would not involve any additional expenditure since the existing Administrative Vendor contract requires them to absorb any systems costs associated with a Health-e-App expansion.** No statutory changes are required for this action either. The

MRMIB notes that the Health-e-App has been relatively successful in that 64 percent of all initial applications filed using it are successfully enrolled, versus only 50 percent for those sent in using the mail-in application.

Subcommittee Staff Recommendation. It is **recommended to approve the proposal, including the trailer bill language.** The proposed changes will provide for increased enrollment with only minimal administrative costs.

It should be noted that though the Health-e-App is a useful tool, it does not serve as a screening device for the more complex Medi-Cal enrollment categories such as disability-linked Medi-Cal and the 1931 (b) family Medi-Cal program. It does however serve as a useful tool for screening children for the federal poverty level programs (such as the 100 percent program and the 133 percent programs) prior to enrollment into the HFP. (Federal law states that Children's Health Insurance Programs, the Healthy Family Program in California, are to be used for those children not eligible for Medicaid and who are citizens.)

Questions. The Subcommittee has requested the MRMIB to respond to the following questions.

1. **MRMIB**, Please provide a brief summary of the request, including both the proposed trailer bill language and the two components of funding.

4. Certified Application Assistance Fees for the HFP *and* Medi-Cal Program

Issue. The **budget proposes several adjustments regarding the use of Certified Application Assistants (CAA) and the payment of fees for their assistance. Under the CAA approach, a $50 fee is paid for each person successfully enrolled in the HFP or Medi-Cal, and a $25 fee is paid for each annual eligibility redetermination enrollment.** The CAA approach ended in 2001 due to fiscal constraints; however this funding was restored through the Budget Act of 2005.

The budget adjustments include the following proposals:

- ***Continue Baseline CAA's Payment Program.*** The budget proposes **an increase of $11.8 million** ($4.9 million General Fund) to **continue** to provide the $50 fee and $25 fee, as described above, to the CAA's. This represents an increase of $5.4 million (total funds) over the revised current-year. It is assumed that about 59 percent of the new applications, or about 33,496 enrollees, will be completed via the CAA payment program (based on past experiences).
- ***New Incentive Payments for CAA's.*** An **increase of $2.5 million ($1 million General Fund) is proposed to create a new incentive program for CAA's.** To be eligible for an incentive payment, a CAA would need to increase the number of their assisted applications by 20 percent over their prior quarter applications. The incentive payment would be 40 percent of the total payments made in the qualifying quarter.

- ***Increased HFP Enrollees Due to CAA Payments.*** The budget **reflects an increase of $26.7 million ($9.7 million General Fund) to support an additional 33,496 children who are assumed to be enrolled into the HFP due to the continuation of the CAA payment program.** It should be noted that this increased caseload has all been attributed to the continuation of the baseline CAA payment program.

- ***Federal Funds in Medi-Cal.*** CAA payments are also provided under the Medi-Cal Program in the same manner as in the HFP. The General Fund amount for these payments is budgeted under the HFP, as noted above, and a portion of the federal funds for these payments is budgeted within the Medi-Cal Program. **A total of $2.9 million** (federal funds—Title XIX Medicaid) is included for this purpose. **Of this amount, (1)** $1.2 million (federal funds) is for the baseline CAA payment program to provide for 4,032 applications per month, and **(2)** $1.7 million (federal funds) is for the new incentive CAA program to provide for 4,113 applications per month.

The *baseline* CAA payment program has a demonstrated record of effectiveness, in that each payment signifies the successful enrollment of a beneficiary in these programs. The use of CAAs can also reduce state workload for the processing of program applications and appeals of denials of enrollment. According to the MRMIB, there are presently about 1,500 enrollment entities representing about 6,000 active CAAs.

Legislative Analyst's Office Recommendation—Delete New Incentive Proposal. The LAO recommends **denying the portion of the request regarding a new incentive payment program for CAAs for savings of $2.5 million ($1 million General Fund)**. They believe that establishing a new incentive program when the existing CAA payment program was just restored last year is premature. The LAO also states that it is unclear as to why additional incentive payments would be necessary given that the baseline CAA payment program has proven to be effective.

Subcommittee Staff Recommendation. Subcommittee staff concurs with the LAO. The baseline CAA payment program has been effective and was only restored last year. It is recommended to ***delete*** **the new incentive payment program for CAA component of this proposal for savings of $2.5 million ($1 million General Fund).**

Questions. The Subcommittee has requested the MRMIB to respond to the following question.

1. **MRMIB,** Please provide a brief summary of the request, including the baseline CAA payment program, the proposed incentive program and the estimated caseload increases.

5. Proposed Allocations for County Outreach for Medi-Cal *and* Healthy Families

(Local Assistance) (See Hand Out for Trailer Bill Language)

Issue. The budget **proposes two adjustments to local assistance expenditures to implement a county-based outreach, enrollment and retention program (County Allocation Program), including *extensive* trailer bill legislation.**

***First,* an increase of $19.7 million ($8.5 million General Fund and $11.2 million federal funds) is proposed for local assistance to allocate to *selected* counties to partner with public and private community organizations for outreach, streamlined enrollment, and retention efforts.**

Under the Administration's proposal, *most* of the $19.7 million (total funds) would be allocated to 20 counties who have the highest weighted value as calculated by the DHS. This weighed value calculation would be based on both the number of eligible but not insured children (to address enrollment) residing in the county and the Medi-Cal/Healthy Families caseload for children (to address utilization and retention) residing in the county. The table below shows this proposed allocation.

Table—DHS Proposed Allocations and Methodology for Top 20 Counties

County	Weighted Value	Allocation Percentage	Allocation Amount (Rounded)
Los Angeles	481,226	36.8%	$6.325 million
Orange	110,371	8.4%	$1.450 million
San Diego	110,226	8.4%	$1.448 million
San Bernardino	98,917	7.6%	$1.300 million
Riverside	86,189	6.6%	$1.132 million
Fresno	51,821	4.0%	$682,000
Sacramento	50,885	3.9%	$669,000
Alameda	40,307	3.0%	$530,000
Kern	38,650	3.0%	$508,000
Santa Clara	36,483	2.8%	$479,000
San Joaquin	29,165	2.2%	$383,000
Tulare	26,852	2.0%	$353,000
Stanislaus	22,428	1.7%	$295,000
Ventura	22,310	1.7%	$293,000
Monterey	19,490	1.5%	$256,000
Contra Costa	18,069	1.4%	$237,000
Santa Barbara	17,788	1.4%	$234,000
Merced	16,481	1.3%	$217,000
San Mateo	15,778	1.2%	$207,000
San Francisco	14,145	1.0%	$186,000
Total	**1,307,590**	**87.3 %**	**$17.185 million**

The remaining amount—about $2.5 million—would be allocated by the DHS to remaining counties who (1) have applied for the funding, and (2) can demonstrate they have an established coalition for children's outreach and enrollment that has been in place for at least 12 months. After reviewing county applications, plans and budgets, the DHS would

expect to allocate these funds to about 5 to 10 counties (maximum amount of $250,000 to $300,000).

Under the DHS proposal, counties are to partner with a broad range of public and private community organizations to perform outreach, streamlined enrollment, retention of health care coverage, and appropriate utilization of health care.

Second, extensive trailer bill language is being proposed for implementation of the County Allocation Program. **This language proposes *significant* amendments in the use of medical information under the Child Health and Disabilities Prevention (CHDP) Program and establishes various requirements for counties to meet in order to participate in the program.**

Third, an increase of $250,000 ($125,000 General Fund) is proposed for the existing toll-free telephone line to handle an increased volume of calls generated by the county outreach grants. Total expenditures for the toll-free telephone line would be $1.550 million ($775,000 General Fund), including the proposed increase. No issues have been raised regarding this component.

Legislative Analyst's Office—Reject CHDP Follow-Up. The LAO recommends rejecting the CHDP follow-up component of the proposal because they do not believe it would be cost-beneficial.

Subcommittee Staff Recommendation. It is recommended to **(1)** establish a $3 million pool for those counties who do not meet the threshold to receive a direct allocation from the DHS using their methodology (i.e., not in the top 20 counties), **(2)** approve the remaining dollar amount for the County Allocation Program as proposed, **(3)** adopt placeholder trailer bill legislation, in lieu of the Administration's language, to establish the County Allocation Program, ***and*** **(4)** reject the CHDP follow-up component of trailer bill language regarding the sharing of medical information across wide venues.

Establishing a pool for small counties to access is important since these counties often have difficulties with enrollment and retention of children in programs which require assistance, and do not usually have access to other funding sources. This would still enable the DHS to focus a significant amount of funding in key areas of the state.

The Administrations proposed language for the sharing of medical information provide through the CHDP Program is very problematic. The language is broadly crafted and provides for the use of medical information across venues that are inappropriate for the purposes of enrollment in public health programs. Further, the remaining trailer bill language should be recrafted to make the program more workable for counties to participate in and operate well. **As such, the following key concepts for "placeholder" trailer bill language are offered:**

- Provide for a $3 million set aside for small counties and cap the remaining amount available based on an annual appropriation;
- Require counties to provide the DHS with an outreach and enrollment plan, as well as a proposed budget for expenditure;

- Restrict the use of the funds for outreach and enrollment purposes only and enable the DHS to recoup funds for failure to comply with program requirements;
- Require counties to collaborate with a wide range of organizations such as community-based organizations, schools, clinics and safety-net providers; and
- No changes to existing Health and Safety Code regarding the CHDP Program.

Questions. The Subcommittee has requested the DHS to respond to the following question.

1. DHS, Please provide a brief summary of the request.

6. Proposed Media Campaign for Medi-Cal *and* Healthy Families *(Local Assistance)*

Issue. The Administration is proposing **an increase of $3.4 million ($1.4 million General Fund) for 2006-07 *and* $11.9 million ($4.9 million General Fund) annually thereafter to conduct a new media campaign.** The Administration states that this proposed media campaign would work in coordination with the county outreach grants to target families which have children with no health care coverage and are likely to be eligible for public programs.

It should be noted that neither the HFP nor the Medi-Cal Program are projecting any increase in caseload associated directly with this media campaign.

Additional Background—Past Media Campaigns. From 1998 through 2002, the state conducted a paid media campaign for the HFP and Medi-Cal for children program. **The funding for this media campaign was eliminated in the Budget Act of 2002 due to state fiscal constraints. Based on information obtained regarding these past campaigns, it is unclear as to whether media campaigns are effective at obtaining increased enrollment in either program.**

Legislative Analyst's Office Recommendation. The LAO **recommends denying this proposal** since the approach has not been demonstrated to be effective in the past. There is no evidence to demonstrate that a media campaign would result in increased enrollments.

Subcommittee Staff Recommendation. It is **recommended to delete this proposal** for savings of $3.4 million ($1.4 million General Fund). Based on information obtained regarding these past campaigns, it is unclear as to whether media campaigns are effective at obtaining increased enrollment in either program. In addition, General Fund support is needed in other areas.

Questions. The Subcommittee has requested the DHS to respond to the following question.

1. DHS, Please provide a brief description of the budget request.

7. DHS Staff for County Allocation Program & Media Campaign

Issue. The DHS is requesting **an increase of $932,000 ($466,000 General Fund) to support 10 new permanent positions, and to purchase office automation equipment for these employees.** All of the positions are assumed to be effective as of July 1, 2006.

Specifically, the 10 new permanent positions would include: (1) a Staff Services Manager I, **(2)** seven Associate Governmental Program Analyst's (AGPA); **(3)** a Nurse Consultant III, and **(4)** an Accounting Technician. **Of these total positions, about 4.5 positions are for the County Allocation Program, 3.5 positions are for the media campaign, and two positions are for the CHDP follow-up component.** Key functions of these proposed positions are described below.

- ***Staff Services Manager—one position.*** This position would supervise 6 of the new AGPA's. They would serve as the lead in the development of the minimum standards regarding the county grants and also serve as a lead contact for stakeholders, CHDP, MRMIB and the counties. They would also be responsible for coordination of the media campaign.

- ***Associate Governmental Program Analysts—three positions.*** These positions would be used to perform the activities directly related to the increased workload of administering the County Allocation Program for outreach.

- ***Accountant Technician Position.*** This position would be used to perform activities related to workload associated with the invoicing for the County Allocation Program for outreach.

- ***Associate Governmental Program Analysts—three positions.*** These positions would be used to perform activities associated with administering the media campaign component of the proposal.

- ***Nurse Consultant III and One Associate Governmental Program Analyst.*** These positions would be used to perform activities directly related to the CHDP follow-up process.

Legislative Analyst's Office Recommendation. The LAO **recommends approval of only three positions (Staff Services Manager I and two AGPAs) for a *reduction* of $614,000 ($307,000) from the DHS budget request. This LAO recommendation is consistent with their recommendation to reject the media campaign proposal and the CHDP follow-up portion of the county outreach grants proposal (i.e., as noted in the above Agenda items).**

Further, the LAO contends that other proposed activities for which the DHS is seeking staff appear to be unnecessary, such as the need for the state to develop program guidelines and methods for allocating the county outreach grants. This is because the county outreach grants will be relying on existing local enrollment programs.

Subcommittee Staff Recommendation. Subcommittee staff concurs with the LAO.

Questions. The Subcommittee has requested the DHS to respond to the following questions.

1. **DHS,** Please provide a brief summary of the budget request for 10 new permanent positions.

8. MRMIB Request for Staff—Ten New Positions for Various Functions

Issue. The **MRMIB is requesting 10 new permanent staff positions for an increase of $983,000** ($248,000 General Fund, $80,000 Proposition 99 Funds—Unallocated Account, $610,000 federal funds, and $45,000 in other funds).

The MRMIB states that these additional staff would be used for five types of activities: (1) supervision of legislation, external affairs, and major policy matters, **(2)** trend analysis of health plan performance, **(3)** processing of application and enrollee complaints and appeals, **(4)** support of legal staff, and **(5)** monitoring and review of the Rural Demonstration Projects.

Specifically, the MRMIB requests the following positions to perform certain activities as noted.

Career Executive Assignment (CEA) I—Legislative Affairs and Policy. This position would be used to oversee policy analysis on emerging issues and work with the Administration and Legislature on health care legislation and policy development.

Research Program Manager II and Research Program Specialist I—Health Plan Research and Quality Unit. These positions would establish a new unit at the MRMIB who would specialize in collecting and compiling data and develop and produce various reports on trend analysis and related information. Presently there are two positions in another unit who perform these functions along with their other duties. As such the MRMIB is seeking additional positions.

Five Associate Governmental Program Analysts—Enrollee Complaints and Appeals. The MRMIB presently has 6 dedicated positions along with two student assistants working on appeals, correspondence and complaints for the HFP. MRMIB believes that additional positions are needed to address issues in the HFP, AIM and Managed Risk Medical Insurance Program.

Executive Assistant—Legal Office. The MRMIB is requesting this position to provide clerical support to the two attorney's at the MRMIB. They contend that the existing general clerical staff in the executive office at the MRMIB are fully occupied and would not be able to address the additional workload or provide specialized analytical work that legal staff may require.

Research Program Specialist I—Rural Health Demonstration Program. A Research Program Specialist I position is requested to (1) take the lead in developing program standards and procedures, (2) provide consultation with stakeholders and others on projects, (3) identify additional and different needs in rural communities, and (4) implement quality improvement projects.

The Rural Health Demonstration Program has been part of the HFP since its inception in 1998. The purpose of this program is to increase access to health care for HFP enrolled children in rural areas, and to provide short-term funding for demonstration projects that can be self-sustaining in the future. This program presently has 36 projects and has total funding of $5.8 million (federal funds and Proposition 99 funds).

The MRMIB presently has 82 state positions and two contracts with Administrative Vendors (i.e., perform enrollment functions and other matters). **In the Budget Act of 2005, MRMIB was provided a total of 14 new state positions, including three for HFP outreach functions.**

Legislative Analyst's Office Recommendation. The **LAO recommends denying 8 of the 10 positions for savings of $796,000 ($248,000 General Fund).** The two positions the LAO recommends to fund are the CEA I for legislation and the Research Program Manager II for the Health Plan Research and Quality Unit.

The LAO states that the MRMIB has *not* justified the positions based on workload need. For example, previous budget actions had at one point eliminated funding for HFP application assistance. Because elimination of these application assistance activities resulted in more problems in the applications which continued to come in for the HFP, this change had the effect of temporarily creating additional workload in the form of a backlog of appeals of denied applications. However, this workload is temporary for two reasons. First, MRMIB has been working through backlog and should have it completed no later than July 2006. Second, with last year's restoration of application assistance support, the number of appeals should be decreasing in the budget year. **Therefore, the LAO sees no justification for the MRMIB to request of 5 positions to address a backlog of work that should be resolved before these new staff could even be hired and begin work.**

The LAO notes there are other MRMIB position requests for which additional workload does appear likely to occur. However the LAO notes the MRMIB should first seek to fill existing vacant positions for which it was previously provided funding, or simply reclassify vacant positions to meet their workload needs.

Subcommittee Staff Recommendation. It is **recommended to delete 6 of the 10 positions**. In addition to the two positions recommended for approval by the LAO, **it is also recommended to fund the Research Program Specialist I to support the Rural Health Demonstration Program and the Executive Assistant for the Legal Office.**

The Rural Health Demonstration Program is a highly effective program which should have a staff person overseeing it. This position was eliminated by the DOF in 2003 since the program contained a sunset provision. The Legislature subsequently eliminated the program's sunset and increased its appropriation due to its efficacy (evaluation reports available). However the staff position was overlooked at the time.

With respect to the Executive Assistant position for the Legal Office, it appears that clerical support is warranted and it would be beneficial to provide it, in lieu of having more costly attorneys complete this type of work.

Questions. The Subcommittee has requested the MRMIB to respond to the following question.

1. **MRMIB,** Please provide a brief summary of the request for 10 new positions.

9. MRMIB Request for Staff for Mental Health Services Oversight-- Healthy Families

Issue. The MRMIB **requests an increase of $432,000** ($151,000 Mental Health Services Fund from Proposition 63 and $281,000 in federal funds) to **(1)** hire two new positions, and **(2)** provide $266,000 in one-time only contract funds to UC San Francisco (UCSF) to do an evaluation of the HFP Program's Mental Health Delivery System and to craft a strategy for monitoring outcomes.

According to the MRMIB, this proposal would provide staff support and funding for an existing project which was initiated using some grant funds obtained from the CA Endowment. Phase I of this evaluation is to be provided to the MRMIB by UCSF in May 2006.

The requested $266,000 in contract funds would be used to conduct Phases II and III of this UCSF evaluation. This evaluation would focus on delivery systems and coordination efforts used to provide mental health and substance abuse treatment services to children enrolled in the HFP, and a strategy for monitoring program outcomes.

The MRMIB states that the key objectives of this proposed evaluation are as follows:

- Assess the extent to which children diagnosed as needing treatment for serious emotional disturbance (SED) are receiving adequate services within the HFP, including the linkage to County Mental Health;
- Assess the effectiveness of the coordination of these children's care between the County Mental Health system and HFP participating health plans;
- Identify other service delivery options for the MRMIB's consideration that would assure accountability, continuity of care, and access to services under the HFP Program for this population; and
- Provide a set of recommendations to improve the HFP Program's delivery system and ensure quality of care.

The MRMIB would hire two positions—a Research Program Specialist I and a Staff Services Analyst--to do the following key activities:

- Provide consultation and information to families to assure they have a thorough understanding of the HFP Mental Health Delivery System;
- Assist families in resolving conflicts they may have with either the HFP health plan or County Mental Health regarding access to mental health services under the HFP;
- Serve as a liaison between the health programs in addressing a variety of issues related to access and coordination of services;
- Provide staff support to the UCSF evaluation;
- Participate in the Department of Mental Health's Proposition 63 workgroup;
- Develop a survey instrument to assess the level of satisfaction of families before and after the implementation of remedies/recommendations resulting from the UCSF evaluation; and

- Oversee the completion of a customer satisfaction survey (before and after) evaluating the impact of new strategies as they are implemented;

Additional Background—The Healthy Families Mental Health Delivery System. Under the HFP, participating health plans are responsible for providing basic mental health services, including inpatient and outpatient services for *most* mental health conditions. **Health plans also provide the first 30-days of inpatient care for children who are diagnosed with serve emotional disturbances (SED). County Mental Health Plans cover all outpatient services and inpatient services *beyond* the first 30-days for SED treatment.**

The delivery of mental health services was established in this manner through the enabling HFP state statute because County Mental Health Plans provided a significant portion of SED treatment in California and had the experience necessary to treat this condition. After the implementation of the HFP, the California Mental Health Parity Law required health plans licensed under the Know Keene Act to provide treatment for serious mental illnesses, including SED treatment for children.

Since a significant amount of effort was invested in establishing a referral and reimbursement system for SED treatment by County Mental Health Plans, the MRMIB directed health plans participating in the HFP to obtain an exemption from the section of the Mental Health Parity Law that requires plans to provide SED treatment. As such health plans participating in the HFP obtain an exemption from the Department of Managed Health Care and are referring potential SED children to County Mental Health Plans for assessment and treatment.

To facilitate the care of SED children enrolled in the HFP, the MRMIB directs health plans to enter into Memorandum of Understandings (MOUs) with County Mental Health whenever feasible. These MOUs define the responsibilities of each party for the coordination of services for children enrolled in the HFP who are diagnosed with SED. Generally, County Mental Health Plans treat HFP enrollees to the extent their resources will allow.

Subcommittee Staff Recommendation. It is recommended **to approve the $266,000 ($93,000 Mental Health Services Fund, Proposition 63) to continue the UCSF evaluation of the HFP Mental Health Delivery System but to *deny* the request for two positions.** In addition, it is recommended to **adopt uncodified trailer bill language**, as shown below, so that the Legislature and public can be assured of receiving the outcomes from the UCSF evaluation.

Continuation of the evaluation would be constructive since an evaluation of the HFP Mental Health Delivery System has not been conducted. Various changes to the mental health system (both public and private) have occurred since enactment of the enabling HFP statute and new strategies may be warranted.

It is recommended to deny the two positions for several reasons. *First*, the use of Proposition 63 funds (Mental Health Services Fund) to support these positions would not be appropriate. Most of the key functions of these positions pertain to supporting the *existing* program structure. As such the use of Proposition 63 funds here could be viewed as a "supplanting" versus a "supplementing" situation. Proposition 63 clearly articulates that funds must be used to further the provision of mental health services and must not be used to fund or replace existing requirements. The operation and oversight of the HFP Mental Health Delivery

System benefit is an ongoing function that was established in the enabling legislation and program. Existing positions should be used to ensure the quality and efficacy of this delivery system.

Second, some of the other key functions the positions are to accomplish pertain to oversight of the evaluation contractor. The contractor was hired using foundation grant funds and is in the process of completing Phase I of the evaluation. As such, the MRMIB has already been providing contractor oversight and chose to do this on their own volition. Existing resources should therefore be available for this activity.

Third, the other key functions of these positions pertain to participating in meetings with the DMH on Proposition 63 issues. This can be done with existing resources.

The recommended uncodified trailer bill language is as follows:

> "The Managed Risk Medical Insurance Board shall provide the fiscal and policy chairs of the Legislature with copies of each of the individual phases of the evaluation being conducted regarding the Healthy Families Program and the provision of mental health and substance abuse treatment services. These copies shall be provided on a flow basis as appropriate when completed by the contractor.

Questions. The Subcommittee has requested the MRMIB to respond to the following questions.

1. MRMIB, Please briefly describe the request.
2. MRMIB, How is the mental health benefit and coordination being monitored now?
3. MRMIB, When will the Phase I evaluation be provided to the Legislature?

10. Request to Exempt MRMIB from Budget Control Language

Issue. The MRMIB is proposing Budget Bill Language to **(1)** exempt MRMIB from existing Budget Control Sections 28 and 28.50, **(2)** allow the Department of Finance to augment reimbursements to General Fund and federal funds, and **(3)** establish permanent positions to the extent that foundation and grant funding are available without advanced notice to the Legislature.

The MRMIB contends that these changes are needed because the existing Budget Control Sections 28 and 28.50 processes jeopardize MRMIB's ability to quickly respond to grant and foundation requirements and delay the receipt of this funding. MRMIB states that it can take from one to four months to process Budget Control Sections within the Administration, depending on coordination with the Department of Finance and CHHS Agency.

Specifically, the proposed Budget Bill Language for Items 4280-001-0001 and 4280-001-0890 is as follows:

> "Augmentations to reimbursements in this Item are exempt from Section 28.50 of this act. The MRMIB shall provide written notification within 30-days to the Joint Legislative Budget Committee describing the nature and planned expenditure of these augmentations when the amount received exceeds $200,000. Federal funds may be increased to allow for the matching augmentations to reimbursements and the Department of Finance may authorize the establishment of positions if the costs are fully offset by the augmentations to reimbursements."

Background on the Current Process for Grant Funds or Foundation Endowments. The current process for accepting grants or foundation endowments involves submitting a request pursuant to Budget Control Section 28 and Budget Control Section 28.5 which require a maximum 30-day notification to the Legislature in the form of a Section Letter to the Joint Legislative Budget Committee, chaired by Senator Chesbro. **The Administration can also request a *waiver* of the 30-day notification in the event of an urgent matter.**

Legislative Analyst's Office Recommendation. The **LAO recommends rejecting this request.** They note that the existing Budget Control Section processes only require 30-days advanced notice to the Legislature and even provide for a waiver of the 30-days advanced notice period if appropriate. **All other delays should be worked out within the Administration.**

Subcommittee Staff Recommendation. It is **recommended to reject this request.** The request would limit the oversight responsibilities of the Legislature. Further, as noted by the LAO, any delays that occur happen due to processes that are within the span of control of the Administration.

Questions. The Subcommittee has requested the MRMIB to respond to the following question.

1. MRMIB, Please provide a brief summary of the request.

D. ITEMS FOR "VOTE ONLY"-- Department of Health Services *(Items 1 through 6)*

1. Trailer Bill Language to Defer General Fund for County Medical Services Program

Issue. The DHS is proposing trailer bill legislation to exempt the state's payment of $20.2 million (General Fund) to the County Medical Services Program (CMSP) for 2006-07. This same trailer bill language has been enacted annually since 2000 due to the state's fiscal situation.

The CMSP primarily uses County Realignment Funds to provide health care services to uninsured individuals who are not otherwise eligible for other public programs for various reasons.

Subcommittee Staff Recommendation. It is **recommended to approve this proposal.** This language has been adopted for the past several years due to the state's fiscal situation and the ability of the CMSP to manage it revenues and expenditures. No issues have been raised.

2. Women, Infant and Children's Supplemental Food—Budget Bill Language & Rebate Fund Increase

Issue. The DHS **is requesting an increase of $35 million (WIC Manufacturer Rebate Fund) and *revised* Budget Bill Language to enable the state to stretch federal food grant dollars to serve more participants and absorb food inflation costs.** With this budget adjustment, the appropriation for the WIC Manufacturer Rebate Fund will be $297 million.

Federal regulations require that states spend rebate funds *before* drawing down federal funds. WIC invoices and receives rebate payments from manufacturers monthly. These rebate funds are used to pay food costs until depleted. The federal WIC funds are then spent to pay for food costs.

The DHS is also proposing Budget Bill Language to enable them to make adjustments to reflect the receipt of rebate funds from manufacturer's in a more timely in order to expend the funds so that the federal funds can then be accessed without any potential for a gap in funding. The original language proposed by the DHS was not workable. As such, compromise language was crafted.

The *revised* Budget Bill Language is as follows:

4260-111-3023 – For local assistance, State Department of Health Services, payment to Item 4260-111-0001, payable from the WIC Manufacturer Rebate Fund

Notwithstanding any other provision of law, if revenues to the WIC Manufacturer Rebate Fund are received in excess of the amount appropriated in this item, the Director of Finance may authorize expenditures for the Department of Health Services in excess of the amount appropriated not sooner than 30 days after notification in writing of the necessity therefore is provided to the chairpersons of the fiscal committees in each house and the Chairperson of the

Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.

Background—WIC Program's Manufacturer Rebate Fund. Among other things, the WIC program offers participants infant formula, infant cereal and juice. WIC has contracts with these food manufacturers who in turn, rebate the WIC Program each time a participant purchases heir product. Manufacturer's rebates are used to offset federal grant food expenditures thereby stretching federal food grant dollars to serve more participants and absorb inflation costs. Rebates comprised about 30 percent of WIC food expenditures in 2004-05.

Subcommittee Staff Recommendation. It is recommended to approve the $35 million increase for the WIC Manufacturer Rebate Fund and the revised Budget Bill Language. No issues have been raised.

3. Nuclear Planning Assessment Special Account (CPI) Adjustment

Issue. The **Subcommittee is in receipt of a Finance Letter requesting an increase of $29,000 (Nuclear Planning Assessment Fund) as required by Section 8610.5 of the Government Code which provides for a consumer price index adjustment. These funds are used to support the existing Nuclear Power Preparedness Program.**

Legislation mandating the Nuclear Power Preparedness Program has been continuous since 1979, enacted as Government Code Section 8610.5, the Radiation Protection Act. The program is funded by utilities through a special assessment fund managed through the State Controller.

While the State OES has absolute coordination authority during emergency response, the DHS is assigned the technical lead responsibility during ingestion pathway and recovery phases of an emergency. The goal during ingestion pathway response is preventing contaminated water, food, and food animals from reaching the consumer. The goal during recovery is restoring areas to pre-accident conditions.

In California, there are two operating nuclear power plan sites—Diablo Canyon (San Luis Obispo) and San Onofre Nuclear Generating Station (San Diego).

Subcommittee Staff Recommendation. It is **recommended to adopt the Finance Letter.**

4. Reappropriation of 2005-06 Proposition 50 Bond Funds for Water & Technical

Issue. The **Subcommittee is in receipt of a Finance Letter requesting to (1) authorize reappropriation authority to the Proposition 50 Fund, and (2) provide $175,000 (Proposition 50 Bond Funds) for an interagency agreement with the Department of Water Resources.**

The DHS indicates that Proposition 50 project approvals are pending, but given the nature of construction contracting, additional time is necessary to obligate funding from the 2005-06 appropriation. The proposed reappropriation language would enable the DHS to expend these funds into 2006-07. The Budget Act of 2005 authorized a total of $107.5 million (Proposition 50 Funds). Of this total amount, $90.9 million is appropriated in Item 4260-111-6031 and $17 million is appropriated in Item 4260-115-6031. A summary of the funding for the current-year is discussed below.

In addition, the DHS is requesting an increase of $175,000 (Proposition 50 Bond Funds) for an interagency agreement with the Department of Water Resources. These funds were originally approved by the Legislature in 2003. However, this funding was inadvertently eliminated by the DHS during their 2006-07 budget development process. **As such, they are requested this technical adjustment through the Finance Letter process.** The Department of Water Resources uses these funds to conduct delta water quality activities through the CALFED.

Summary of "Round 1" (2005) Proposition 50 Funds ("Funding Commitments"). As discussed in our Subcommittee #3 hearing of March 27th, the DHS has provided the following summary table which displays funding commitments (i.e., full applications approved).

Title/Focus Proposition 50	Disadvantaged Communities (Projects & Dollars)	Non-Disadvantaged Communities (Projects & Dollars)	Total Proposition 50
Water Security (Chapter 3)	3 and $587,000	7 and $30.7 million	$31.3 million
Small Community Systems	8 and $5.9 million	3 and $438,000	$6.4 million
Monitoring	4 and $180,000	1 and $1 million	$1.2 million
Source Water Protection	1 and $1.6 million	1 and $115,000	$1.7 million
Disinfection Byproducts	2 and $591,000	3 and $800,000	$1.4 million
Southern California	2 and $3 million	8 and $41.8 million	$44.8 million
Total (rounded)	**20 and $11.8 million**	**23 and $74.9 million**	**$86.7 million**

The DHS states that the "Round 2" Proposition 50 "full applications" are due to the DHS in April and May 2006 (different dates for various grants). The DHS has already received 127 "pre-applications" for Round 2 and it is anticipated that from $75 million to $90 million will be awarded through this process.

Background on Proposition 50 and Chapters Applicable to the DHS Drinking Water Program. Proposition 50 was approved by the voters in 2002 to provide $3.4 billion in funds to a consortium of state agencies and departments to address a wide continuum of water quality issues.

Several chapters within the Proposition 50 bond measure pertain to functions conducted by the DHS as it pertains to the overall Drinking Water Program, including Chapter 3 and Chapter 4 of the Proposition. The DHS anticipates receiving as much as $485 million over the course of the bond measure.

- Chapter 3—Water Security ($50 million). Proposition 50 provides a total of $50 million for functions pertaining to water security, including the following: (1) monitoring and early warning systems, (2) fencing, (3) protective structures, (4) contamination treatment facilities, (5) emergency interconnections, (6) communications systems, (7) other projects designed to prevent damage to water treatment, distribution and supply facilities**.**

- Chapter 4—Safe Drinking Water ($435 million total for DHS). Proposition 50 provides $435 million to the DHS for expenditure for grants and loans for infrastructure improvements and related actions to meet safe drinking water standards. A portion of these funds will be used as the state's match to access federal capitalization grants

Subcommittee Staff Recommendation. It is **recommended to approve this Finance Letter to correct a technical adjustment to the Governor's budget. No issues have been raised.**

5. Technical Adjustment—Food Safety Fund, and Drug and Medical Device Safety

Issue. The Subcommittee is in receipt of a Finance Letter requesting a series of technical adjustments to the Governor's budget. Specifically, savings of $178,000 (General Fund) were recognized in the Governor's budget by shifting these expenditures to special funds; however, the corresponding special fund adjustments were not reflected. As such, the DHS is requesting an increase of $92,000 (Drug and Medical Device Fund) and $86,000 (Food and Safety Fund) to reflect the corresponding special fund adjustments.

Subcommittee Staff Recommendation. It is recommended to approve this Finance Letter to correct a technical adjustment to the Governor's budget. **No issues have been raised.**

6. Technical Correction to the Governor's Budget—DHS to CMAC Shift

Issue. The Subcommittee **is in receipt of a Finance Letter requesting a decrease of $238,000 ($119,000 General Fund) from the DHS to correct an error in the Governor's budget.** The Budget Act of 2005 provided two positions and $238,000 intended for the CA Medical Assistance Commission (CMAC). However the funding and position authority were mistakenly placed by the DOF in the DHS budget. The Governor's 2006-07 budget includes a baseline adjustment to increase the CMAC budget for this issue in 2006-07 but it did not reflect the reduction in the DHS budget. The Finance Letter accomplishes this technical adjustment.

Subcommittee Staff Recommendation. It is recommended to approve this Finance Letter to correct a technical adjustment to the Governor's budget. **No issues have been raised.**

E. ITEMS FOR DISCUSSION—Department of Health Services

1. DHS Request for Staff for Geographic Managed Care Expansion

Issue. The DHS is requesting **17 new permanent positions for an increase of $1.6 million** ($718,000 General Fund) to continue the implementation of the expansion of Medi-Cal Managed Care to 13 additional counties as approved by the Legislature in the Budget Act of 2005.

The table below displays the number of new positions the DHS received in the Budget Act of 2005 for this purpose and it displays their additional request for 2006-07. **As noted below, the DHS received 27 new positions last year for this expansion effort.**

Table—DHS New Positions for 13 Counties Medi-Cal Managed Care Expansion

Area/Division	Positions Approved in Budget Act of 2005	DHS Request 2006-07	Total
DHS Managed Care	16.0	13.0	29.0
DHS Payment Systems	5.5	3.0	8.5
DHS Administration	3.5	1.0	4.5
DHS Legal Office	2.0	0	2.0
CA Medical Assistance Commission (CMAC)		1.0	1.0
TOTALS	27.0 positions	18.0 positions	45.0 positions

The key activities of the requested 18 new permanent positions are discussed below under each subheading as noted.

A. DHS Managed Care Division—(Total of 13 positions). This division is requesting 13 new positions as follows.

- *Pharmacy Consultant II.* This position would be used to develop new policies and procedures relative to drug utilization and Medi-Cal formulary oversight.
- *Nurse Evaluator II.* This position would be used to develop enhanced medical monitoring protocols and tools.
- *Associate Management Auditors (3.0 positions).* These positions would be used to conduct ongoing financial monitoring of contracted health plans in the new counties and to work with actuary staff in the development of experienced-based rates for the expansion areas.
- *Research Analyst II.* This position would perform ongoing research, data collection and analysis, and reporting resulting from the expansion.
- *Account Technicians (3.0 positions).* These positions would be used to perform capitation payment activity for the new contracts.
- *Health Program Specialist II.* This position would be used to conduct fiscal analyses of special needs services.

- *Associate Governmental Program Analysts (2.0 positions).* These AGPA positions would be used to provide additional contract management resources for the new contracts in expansion counties.

- *Associate Governmental Program Analyst—Office of Ombudsman.* This position would be used to provide additional support to the Office of the Ombudsman. The workload for this office will increase due to the new enrollees and the need to provide safeguards against people getting lost in the managed care system.

B. DHS Payment Systems Division—Health Care Options Section (Total of 3 positions). This division is requesting 3 new positions—two Associate Governmental Program Analysts, and a Research Program Specialist I. **These positions would be used to address workload needs associated with increased beneficiary informing and enrollment services in 7 of the expansion counties that are transitioning from fee-for-service to managed care (the other 6 counties pertain to County Organized Health Care systems).** The DHS states that the existing Health Care Options staff cannot be redirected

The additional staff will develop new county specific enrollment materials, oversee the necessary health care options system changes, and plan the Call Center and field operations expansions in the counties targeted for implementation. This includes (1) developing new beneficiary informing packets for each of the counties, (2) overseeing enrollment system changes, (3) monitoring the health care options contractor (Maximus), (4) evaluating the soundness of the expansion-related statistical analyses prepared by the enrollment broker, (5) overseeing the enrollment contractor's reporting function, and (6) conducting ongoing sampling and review of expansion-related enrollment materials.

C. DHS Administration Division (One Position). This division is requesting an Accounting Officer position to support additional workload that will be generated from the invoicing of more managed care contracts. Specifically, this position would (1) monitor and track payments for contracts, (2) complete paperwork to draw federal funds, and (3) support other standard accounting functions related to staff payroll and travel.

D. CA Medical Assistance Commission (CMAC) (One Position). The DHS is proposing to fund a Senior Negotiator position at CMAC to negotiate Medi-Cal Managed Care contracts that pertain to the expansion counties who would merge with a County Organized Healthcare System (COHS) or a Geographic Managed Care (GMC) model. CMAC presently has this responsibility. **The CMAC is requesting this position to support the workload associated with negotiating the new contracts.**

Background—Overview of Existing Medi-Cal Managed Care Models. The DHS is the largest purchaser of managed health care services in California. **Currently, some form of Medi-Cal Managed Care serves about 3.2 million Medi-Cal enrollees, primarily families and children and is in 22 counties.** About 280,000 enrollees, or about 9 percent, are seniors and individuals with developmental disabilities.

The Medi-Cal Managed Care system utilizes three types of contract models— (1) the Two Plan, **(2)** Geographic Managed Care, and **(3)** the County Organized Health Systems (COHS). About 74 percent of Medi-Cal managed care enrollees are in a Two Plan model which covers 12 counties. There are five COHS (federal law limit) that serve eight counties. The GMC model is used in two counties.

For people with disabilities, enrollment is *voluntary* in the Two Plan and GMC model, and *mandatory* in the COHS. In addition, certain services are "carved-out" of the Two Plan and GMC models, as well as some of the COHS's. Most notably, Mental Health Managed Care, and the California Children's Services (CCS) Program are "carved-out", except for CCS in some selected counties which operate under the COHS model. Per existing state statute, CCS is carved-out until September 1, 2008.

The Two Plan model was designed in the late 1990's. The basic premise of this model is that CalWORKS recipients (women and children) are automatically enrolled (mandatory enrollment) in either a public health plan (i.e., Local Initiative) or a commercial HMO. Other Medi-Cal members, such as aged, blind and disabled, other children and families, can voluntarily enroll if they so choose. About 74 percent of all Medi-Cal managed care

The GMC model was first implemented in Sacramento in 1994 and then in San Diego County in 1998. In this model, enrollees can select from multiple HMOs. The commercial HMOs negotiate capitation rates directly with the state based on the geographic area they plan to cover. Only CalWORKS recipients are required to enroll in the plans. All other Medi-Cal recipients may enroll on a voluntary basis. **Sacramento and San Diego counties contract with nine health plans that serve about 10.6 percent of all Medi-Cal managed care enrollees in California.**

Under a County Organized Healthcare System (COHS), a county arranges for the provision of medical services, utilization control, and claims administration for *all* Medi-Cal recipients, including individuals who are aged, blind and disable. About 540,000 Medi-Cal recipients receive care from these plans.

Background--Summary of 13 County Medi-Cal Managed Care Expansion per Budget Act of 2005 . The Legislature approved the Administration's proposal to expand California's existing Managed Care Program to 13 additional counties (i.e., mandatory enrollment of children and families who are not medically needy, and *voluntary* enrollment of aged, blind and disabled individuals).

After much public discussion and discourse, both the Administration and Legislature agreed that the mandatory enrollment of aged, blind and disabled individuals should be delayed until performance measures specific to special needs populations, as well as many other core program improvements, could be crafted and implemented. These issues are discussed more fully in this Agenda under item 2, below. Therefore, the DHS has focused its efforts on conducting the 13 county Medi-Cal Managed Care expansion of the existing program.

As shown in the table below, the Administration assumed the following Managed Care model configuration for these 13 new counties. The DHS states that they will not compel or force any county into a particular managed care model. In several instances, counties have not yet made a decision as to which model they may select. Those that have made a formal decision are highlighted in **bold,** below.

Table—Administration's Implementation of 13 County Expansion of Medi-Cal Managed Care

County	**County Preference**	**Administration's Proposed Model (Under discussion with Counties)**	**Number of Eligibles** ***(Both non-ABD & ABD)***
El Dorado	GMC—their own or COHS	Join Sacramento Geographic Managed Care (GMC) by March 2007	7,036 Non-ABD 184 Aged, Blind, Disabled
Placer	**GMC with Sacto.**	Join Sacramento GMC	11,576 297 Aged, Blind, Disabled
Imperial	No managed care	Join San Diego GMC	26,229 493 Aged, Blind, Disabled
Fresno	**Two Plan w/ Madera & Kings**	Convert to a GMC (not a new county)	Not applicable
Merced	**COHS—seeking federal authority**	Join w/Fresno on GMC	40,785 579 Aged, Blind, Disabled
Madera	**Two Plan w/ Madera & Kings**	Join w/Fresno on GMC	19,589 253 Aged, Blind, Disabled
Kings	**Two Plan w/ Madera & Kings**	Join w/Fresno on GMC	17,504 249 Aged, Blind, Disabled
Ventura	**COHS—seeking federal authority**	Join w/Santa Barbara COHS	61,039 23,398 Aged, Blind, Disabled
San Luis Obispo	**COHS w/SBRHA**	Join w/Santa Barbara Regional Health Authority (SBRHA) COHS	16,380 8,275 Aged, Blind, Disabled
San Benito	**COHS w/ CCAH**	Join w/Central Coast Alliance for Health (CCAH) COHS	5,061 1,514 Aged, Blind, Disabled
Marin	**COHS w/PHP**	Join w/PHP COHS	6,944 5,456 Aged, Blind, Disabled
Lake	COHS w/PHP	Join w/PHP COHS	8,481 5,515 Aged, Blind, Disabled
Mendocino	**COHS w/PHP**	Join w/PHP COHS	12,735 5,624 Aged, Blind, Disabled
Sonoma	COHS—own *or* COHS w/ PHP	Join w/PHP COHS	23,876 14,736 Aged, Blind, Disabled

It should also be noted that the DHS must submit a State Plan Amendment for this 13 county Medi-Cal Managed Care expansion to the federal CMS for their approval. It is unclear at this time when this State Plan Amendment will be submitted to the federal CMS.

Legislative Analyst's Office Recommendation—Delete 13 of 18 Requested Positions. **The LAO recommends deleting 13 positions for savings of $1.1 million ($480,000 General Fund).**

The LAO states that the staffing request does *not* reflect the fact that the expansion will be phased-in over 2006-07 and 2007-08 and is likely to be delayed in some counties. For example, Imperial County, one of the expansion counties for which the DHS resources are requested, has indicated that it is not supportive of implementing managed care by March 2007 as assumed in the budget plan (as noted above in the table).

With respect to the CMAC position, the LAO believes that they should have sufficient staff to absorb this additional workload.

The LAO recommends approving only 5 positions. These positions include the following:

- *Associate Management Auditor.* This position would be used to conduct ongoing financial monitoring of contracted health plans in the new counties and to work with actuary staff in the development of experienced-based rates for the expansion areas. The DHS had requested three positions for this function.
- *Research Analyst II.* This position would perform ongoing research, data collection and analysis, and reporting resulting from the expansion. This is the position the DHS had requested (i.e., no difference).
- *Account Technician.* This position would be used to perform capitation payment activity for the new contracts. The DHS had requested three positions for this function.
- *Health Program Specialist II.* This position would be used to conduct fiscal analyses of special needs services.
- *Associate Governmental Program Analyst*. This position would be used to provide additional contract management resources for the new contracts in expansion counties. The DHS had requested two positions for this purpose.

Therefore, the LAO recommends savings of $1.1 million ($480,000 General Fund) by approving only 5 of the positions as noted.

Subcommittee Staff Recommendation. In addition to the 5 positions recommended by the LAO, it is recommended **to also approve the Associate Governmental Program Analyst position for the Office of the Ombudsman.** This position would serve in an important role in assisting new enrollees with questions and complaints, and generally help ensure that people do not get lost in the managed care system.

Therefore, it is recommended to approve a total of 6 positions for total savings of about $1 million ($430,000 General Fund).

Questions. The Subcommittee has requested the DHS to respond to the following questions.

1. **DHS**, Please provide a **summary of the status of the 13 county expansions**.

2. **DHS**, Please provide a **summary of the budget request** and need for the positions.

2. DHS Staff Request & Local Assistance Funds for Outreach to Special Populations

Issue. The **DHS is requesting 9 new permanent positions for increased expenditures of $916,000 ($386,000 General Fund) in state support** *and* **an increase of $1.1 million ($550,000 General Fund) in local assistance, to encourage the enrollment of individuals into Medi-Cal Managed Care who have special health care needs (i.e., are in the aged, blind and disabled Medi-Cal aid categories) and who are presently enrolled in the Fee-For-Service Medi-Cal Program.** These two adjustments are discussed below.

First, the DHS is requesting **9 new permanent positions** for increased expenditures of $916,000 ($386,000 General Fund) to perform the following functions:

- Craft education and outreach efforts to target strategies and create enhanced materials to increase voluntary enrollment of individuals into Medi-Cal Managed Care who are aged, blind and disabled;
- Develop an infrastructure to serve aged, blind and disabled individuals, including developing and implementing statewide standards and requirements specific to this population; and
- Initiate a limited implementation of mandatory enrollment of individuals who are aged, blind and disabled in two selected counties (from voluntary enrollment to mandatory enrollment).

The key activities of these requested 9 new permanent positions are discussed below under each subheading as noted.

A. Education and Outreach for Voluntary Enrollment (2 positions). The DHS is requesting two positions—an Associate Governmental Program Analyst (AGPA) and a Health Education Consultant II—for this purpose. **The AGPA** would oversee the development, execution and ongoing management of an interagency agreement for the assessment of current materials and enrollment processes and the development of enhanced materials. **The Health Education Consultant III** position would develop enhanced enrollment and informing materials specific to the aged, blind and disabled population, and work with the Health Care Options contractor (Maximus) and an advisory group to maintain these materials.

B. Development of Infrastructure for Special Populations (4 positions). The DHS is requesting 4 positions—Nurse Evaluator II, Nurse Consultant II, Research Program Specialist I, and an AGPA—to address numerous shortcomings regarding the Medi-Cal Managed Care Program as identified in recent reports and studies, particularly in the report conducted by the CA Healthcare Foundation (as referenced below).

Specifically, the key functions of these **four positions** would be as follows:

- *Nurse Evaluator II.* This position would **(1)** develop medical monitoring protocols and tools specific to the aged, blind and disabled population (voluntary enrollment), **(2)** review current data to determine needed modifications for monitoring any enhancements done for the aged, blind and disabled population, and **(3)** provide clinical expertise in all aspects of increasing enrollment for the aged, blind and disabled populations.

- *Nurse Consultant II.* This position would **(1)** prepare a statewide infrastructure to serve the aged, blind and disabled population, **(2)** develop and advise on feasible recommendations for quality measures for serving this population, and **(3)** convene consumer and provider groups to craft recommendations for improving services for this population.

- *Research Program Specialist I.* This position would **(1)** analyze complex databases regarding this population, **(2)** look at trends in utilization and health indicators, **(3)** conduct research specific to the effects of enrolling aged, blind and disabled individuals into managed care, (4) work with clinical staff to develop an initial health assessment tool, and (5) maintain complex project models used to estimate and budget for the increase of voluntary enrollment of this population.

- *Associate Governmental Program Analyst (AGPA).* This position would oversee the development and implementation activities associated with statewide standard enhancements to include: **(1)** Analysis and development or revision of regulations, contract language and contract deliverables for compliance with enhanced standards, and **(2)** Participation in stakeholder and advisory group meetings.

C. Mandatory Enrollment in Two Counties (2 Positions). The DHS is requesting two positions—an AGPA and Nurse Evaluator II—to develop a mandatory enrollment of the aged, blind and disabled populations in two counties (which have voluntary enrollment currently). **These two positions pertain to policy legislation—AB 2979 (Richmond)—which is scheduled to be heard in the Assembly Health Committee on April 25th.**

D. Payment Systems Division—Health Care Options (1 Position). The DHS is requesting an AGPA to focus solely on aged, blind and disabled population enrollment. This position would direct and oversee the implementation of informing and enrollment process changes for the aged, blind and disabled populations.

***Second,* an increase of $1.1 million ($550,000 General Fund) in local assistance is requested for the DHS to enter into an interagency agreement for education and outreach activities.** The DHS intends to establish an interagency agreement with **UC Berkeley** for this purpose.

The products to be developed under this interagency agreement include (1) development of a "welcome and resource" guide on Medi-Cal Managed Care, and **(2)** development of population-specific informing materials and presentation to encourage the voluntary enrollment of special populations (i.e., aged, blind and disabled) into Medi-Cal Managed Care. The DHS states that a variety of information in alternative formats would be used.

The DHS states that an Education and Outreach Advisory Group would be established in July, and execution of the Interagency Agreement would occur by December 2006. The actual implementation of outreach and education is to begin August 2007. This first year of the DHS effort will focus on "ramp-up", including review of existing materials, focus testing of consumers, development of new materials in alternative formats, focus testing on new materials, translation into 13 threshold languages, county and community-based organization trainings, and related matters.

Background—Need for Performance Standards and Core Program Improvements for Medi-Cal Managed Care. After much public discussion and discourse last year, both the Administration and Legislature agreed that the mandatory enrollment of aged, blind and disabled individuals should be delayed until performance measures specific to special needs populations, as well as many other core program improvements, could be crafted and implemented.

A comprehensive analysis conducted by the CA Healthcare Foundation, using three consulting groups with specialized expertise, was released in November 2005. Among other things, this analysis identifies 53 recommendations to improve the Medi-Cal Managed Care Program, including performance measures for serving people with disabilities and chronic conditions (i.e., aged, blind and disabled) in the program. These 53 recommendations were categorized into 23 that are "essential", 21 that are "important" and 9 that are "ideal".

The DHS is presently conducting an internal process regarding these 53 recommendations to discern their next steps for crafting an action plan. It is anticipated that a plan will be forthcoming soon—probably by May. The DHS states that this plan will then be discussed with stakeholders and other interested parties, including at least two public forums (North and South venues).

Legislative Analyst's Office Recommendation—Delete 6 Positions. The **LAO recommends deleting 6 of the requested 9 positions for savings of $580,000 ($235,000 General Fund), and approving the $1.1 million in local assistance for outreach.** The LAO believes that other separate budget requests for DHS staff to conduct managed care activities would provide sufficient staff to ensure that the managed care infrastructure is adequate. **The three positions the LAO recommends approving are as follows:**

- *Education and Outreach for Voluntary Enrollment (1 position not 2 positions).* The LAO recommends approving the Health Education Consultant III position. The DHS had requested a total of two positions, including an AGPA position for this purpose.
- *Development of Infrastructure for Special Populations (2 positions not 4 positions).* The LAO recommends approving the Nurse Consultant II and Nurse Evaluator II positions for this purpose. The DHS had requested a total of 4 positions, including a Research Program Specialist I and an AGPA.

Therefore, the LAO recommends savings of $580,000 ($235,000 General Fund) by approving only 3 of the 9 positions as noted.

Subcommittee Staff Recommendation—Delete 4 Positions. In addition to the LAO's recommendation, it is recommended to provide **two additional positions—the Research Program Specialist I and the AGPA—to fully staff the "Development of Infrastructure for Special Populations" piece of this request** (see "B" above, under key activities to be completed by these positions). It is critical to have this section fully staffed to address the 53 recommendations contained in the CHCF report as referenced above. **Quality products need to be produced by the DHS.**

The development of performance measures and medical monitoring protocols and tools specific to this medically involved population is critical to the program. In addition, activities related to

contract amendments for these forthcoming standards, as well as the development or revision of regulations, needs to be done as well. **Further, work for developing an initial health assessment tool and other research and survey-related functions will need to be completed early on as voluntary enrollment increases.**

The two positions requested for the mandatory enrollment of the aged, blind and disabled in two counties (i.e., Two Plan Model counties) should be denied since this policy decision is pending before the Legislature (as contained in AB 2979 (Richmond) as noted above). As such, funds can be placed in the legislation for this purpose.

Further, it is recommended to approve the $1.1 million in outreach funds, along with the following uncodified trailer bill language:

> "In conducting outreach activities for the enrollment of special needs populations into the Medi-Cal Managed Care Program, the Department of Health Services and its contractors, as deemed applicable by the department, shall work with state, local and regional organizations with the ability to target low-income seniors and individuals with disabilities in the communities where they live. This shall include but not be limited to, all applicable state departments who serve these individuals, Regional Centers, seniors' organizations, local health consumer centers, and other consumer-focused organizations who are engaged in providing assistance to this population."

The purpose of this language is to more fully utilize the expertise of existing resources which are available outside of the DHS. The above referenced entities generally have more direct contact with the population the DHS is seeking to voluntarily enroll and therefore, would likely have creative and constructive ideas to facilitate enrollment and provide more one-on-one assistance.

Therefore, it is recommended to (1) reduce by $487,000 ($142,000 General Fund) to reflect the approval of only 5 of the requested positions, **(2)** approve the $1.1 million for outreach as proposed, and **(3)** adopt uncodified trailer bill language as shown above.

Questions. The Subcommittee has requested the DHS to respond to the following questions.

1. DHS, Please provide **an update regarding the development of the action plan** to address the 53 recommendations contained in the **CA Healthcare Foundation report.**
2. DHS, Please **provide a brief summary of the proposal** and the request for positions.

3. DHS Request for Staff—Two New Pilot Projects for Medi-Cal Managed Care

Issue. The DHS is **requesting 11 new permanent positions for an increase of $1.1 million ($525,000 General Fund) to implement *two new pilot project models*— (1)** Access Plus, and **(2)** Access Plus Community Plan Choices. These models require statutory changes to implement. **Implementation of these models requires state statutory change.**

As introduced, AB 2979 (Richmond) is the Administration's sponsored policy legislation that would implement these proposed pilot models, along with other proposed changes to the Medi-Cal Managed Care Program. **Since these pilot projects are new models, it was recommended for the Administration to proceed with policy legislation, in lieu of budget trailer bill language.**

Specifically, the DHS is requesting 11 positions as follows:

Medi-Cal Managed Care Division (7 positions). This division is requesting positions to obtain the infrastructure to develop and monitor the proposed pilot projects. The positions and key activities are as follows:

- *Nurse Consultant III.* This position would serve as the technical expert in the coordination of Medicare and Medi-Cal benefits and provide technical clinical expertise to develop the pilot project models.
- *Associate Governmental Program Analysts (2 positions).* These positions would (1) serve as project coordinators, (2) provide application and readiness reviews, (3) develop and define enrollment process and benefit package, and (4) research and develop regulatory and statutory authority.
- *Nurse Evaluator II.* This position would be used to develop new policies and procedures relative to clinical standards, and quality of care issues.
- *Fiscal Actuary.* This position would develop rates and revise rates as needed for the pilot projects.
- *Associate Management Auditor.* This position would be used to fiscally monitor the Access Plus Program pilot projects.
- *Associate Governmental Program Analyst*. This position would conduct contract development, management and support.

DHS Office of Long-Term Care (3 positions). This section is requesting three positions as follows:

- *Health Program Manager II.* This position would manage and coordinate the Access Plus Community Choices Unit and related functions.
- *Associate Governmental Program Analysts (2 positions).* These positions would be used to develop the Access Plus Community Choices policy, and would monitor at least four contracts and do related work with this model.

Payment Systems Division (1 position). An Associate Governmental Program Analyst position is requested to manage the dual eligible enrollment coordination efforts with the Health Care Options contractor (Maximus) and develop various enrollment materials for the pilot models.

Background—Access Plus Model, & Access Plus Community Plan Choices Model. The federal Medicare Modernization Act allows for Medicare Plans to offer a new type of coordinated care plan for Medicare beneficiaries called "Medicare Special Needs Plans". **Among other things, these Medicare Special Needs Plans can elect to provide care to certain individuals, including those who are *dually eligible* (i.e., Medicare and Medi-Cal individuals), as well as those who have severe and chronic conditions.** The DHS states that there are at least 9 health plans in California that have received federal CMS approval to become a Medicare Special Needs Plan. As such, the DHS is proposing to develop these two models so that dual eligibles and others can receive services through these plans.

The DHS states that the Access Plus model would be implemented in two Geographic Managed Care counties/regions. The DHS states that the Access Plus Community Plan Choices model would be implemented in a County Organized Healthcare System (COHS), a Two-Plan model county and a Senior Care Action Network (SCAN). The differences in healthcare benefits between traditional Medi-Cal Managed Care and the proposed two models are shown below in the table.

Health Care Benefits	**Existing Medi-Cal Managed Care**	**Proposed Access Plus**	**Proposed Access Plus Community Choices**
Primary care	yes	yes	yes
Hospital care, emergency room services and surgeries	yes	yes	yes
Case management of covered medical services	yes	yes	yes
Medi-Cal scope of benefits	yes	yes	yes
Nursing facility services, including extended stays	No—provided under fee-for-service	yes	yes
Adult Day Health Care (ADHC)	No—provided under fee-for-service	yes	yes
Required Expanded Case Management: Consumer participation Interdisciplinary team support Manage care across all settings Priority to avoid institutions			yes
Home and community-based services			yes

Legislative Analyst's Office Recommendation—Deny 3 Positions of 11 Positions. The LAO recommends denying 3 of the positions for savings of $314,000 ($208,000 General Fund). The three positions recommended to delete are Associate Governmental Program Analysts (i.e., two in the Medi-Cal Managed Care Division and one in the Payment Systems Division).

Subcommittee Staff Recommendation. It is recommended to **deny the entire proposal for savings of $1.1 million ($525,000 General Fund). AB 2979 (Richmond), as introduced, contains the Administration's proposal to implement these two new models.** This legislation

is scheduled to be heard before the Assembly Health Committee on April 25th. **As such, this resource request can be placed in the legislation.**

Question. The Subcommittee has requested the DHS to respond to the following question.

1. **DHS,** Please provide a brief summary of the request.

4. DHS Staff for New Coordinated Care Management Projects *(Fee-for-Service)*

Issue. The DHS is **requesting 5 new positions for an increase of $473,000 ($208,000 General Fund) to develop a "Coordinated Care Management" (CCM) Demonstration Project.** No statutory changes are proposed.

The DHS states this project would be designed for two specific populations who are enrolled in Medi-Cal Fee-for-Service who are *not* on Medicare (not dually eligible). One project would focus on seniors and persons with disabilities who have chronic health conditions, *and* the other project would focus on persons with chronic health conditions who are seriously mentally ill.

The DHS states that the purpose of these demonstration projects would be to offer the state the opportunity to test targeted approaches for meeting ***high-end users*** of the medical system in a cost-effective manner.

The DHS is requesting 5 new positions in two Divisions as discussed below.

Medi-Cal Operations Division (4 Positions). These positions and their key activities include the following:

- *Nurse Consultant III Specialist.* This position would develop, implement and provide on-going quality assessment and monitoring of the CCM Project from a clinical perspective, including development of the Request for Applications (RFA) and evaluation of the applications. This position would collaborate with medical experts to provide the overall direction of the project.
- *Research Program Specialist I.* This position would provide research, data analysis, and evaluation to the CCM Project, including analysis of program outcomes and conducting complex studies utilizing project data.
- *Associate Governmental Program Analyst.* This position would function as the lead contract manager.
- *Office Technician.* This position would provide clerical support.

Medi-Cal Procurement (One Limited-Term Position). An Associate Governmental Program Analyst position is requested to provide project management and oversight for the RFA contract procurement. This is a two-year limited-term position.

Additional Background on Proposed Coordinated Care Model Demonstration Project. The DHS notes that individuals with chronic medical conditions or terminal illnesses and persons with severe mental illness comprise a significant portion of high-end users of Medi-Cal services. **There is an unmet need within this population for chronic care management and for education and counseling in how to more effectively utilize the healthcare system and its services**. As an example, a person with both schizophrenia and diabetes may be unable to manage his/her diabetes due to an untreated mental condition. **Prompt identification of needs and early treatment will most likely reduce health care needs and expenditures.**

It has been well documented over the years that a small number of Medi-Cal enrollees consume a higher percentage of expenditures. A recent report commissioned by the DHS found that 10 percent of Medi-Cal enrollees (Fee-For-Service) consume over 70 percent of the total costs. For example, the average 85-year old Medi-Cal enrollee incurs about $10,000 in expenditures. As such, the DHS is interested in how to more effectively management these "high-end users".

Legislative Analyst's Office Recommendation—Delete 2 Positions. The LAO recommends denying two of the requested five positions ***and*** to use some Mental Health Services Fund moneys (Proposition 63 funds) in lieu of General Fund support for savings of $133,000 General Fund.

Specifically, the LAO recommends providing three positions to support the CCM Project for persons with severe mental illness, *and* denying the positions designated for the CCM Project for persons with disabilities who have chronic healthcare conditions. Therefore, fewer staff would be needed than requested by the DHS. **As such an AGPA position and the Office Technician position would be deleted.**

The LAO states that the CCM Project for persons with disabilities who have chronic healthcare conditions is not warranted **because the DHS has not yet implemented a Disease Management Project that was authorized by the Legislature in 2003.** Further, the LAO contends that the CCM Project for persons with disabilities who have chronic healthcare conditions is very similar in concept to the Disease Management Project and would be largely duplicative. As such they believe it is important to proceed with the Disease Management Project first.

Subcommittee Staff Recommendation—Delete One Position. **It is recommended to fund all of the positions, except for the Office Technician position, in order to implement the two Coordinated Care Pilot Projects.** This recommendation provides funding for the two-year limited-term AGPA position in the Medi-Cal Procurement Division, whereas the LAO's recommendation does not. The LAO's recommendation to use a small amount of Proposition 63 funds for the mental health project would also be recommended.

Though the DHS has sorely lagged in its implementation of the Disease Management Project, it is important to have the DHS proceed with addressing core issues regarding high-end users in the Fee-For-Service Medi-Cal Program. Even with the continued expansion of Medi-Cal Managed Care, there will always be a Fee-For-Service system that needs to be appropriately managed to ensure both quality of care and cost-effectiveness.

Further, it is assumed that the DHS will utilize information readily available from several "high-end user" projects which were funded by the CA Healthcare Foundation. These county-based projects which have been operating for a few years can provide the DHS with a prototype to use in its development of these projects for Medi-Cal enrollees, as well as information on lesions learned from operating them.

Therefore, a savings of $88,000 General Fund would be obtained by funding only 4 of the 5 positions and using Proposition 63 funds. The difference between this recommendation and the LAO's is the AGPA position for Medi-Cal Procurement.

Questions. The Subcommittee has requested the DHS to respond to the following question.

1. **DHS,** Please provide a brief summary of the proposal, including how this project is distinctive from the Disease Management Project.

2. **DHS**, Please describe how the Coordinated Care Management Program would operate.

5. Establish the CA Mental Health Disease Management (CalMEND) Program

Issue. The DHS **is requesting $887,000 ($443,500 from the Mental Health Services Fund—Proposition 63, and $443,500 from federal funds) to contract for program management, consumer education and peer counseling, clinical consultation, and administrative support.**

The DHS and DMH have initiated this joint effort-CalMEND-- to improve mental health outcomes, while managing pharmaceutical costs. **CalMEND aims to reduce pharmaceutical costs and improve prescribing patterns and access to the quality mental health care services delivered to persons with certain mental health disorders.**

The DHS states that CalMEND will directly address the necessary improvement of the cost-effectiveness of mental health services delivered and/or paid for by state organizations by developing best clinical and administrative practices.

The DHS and DMH will be working with the CA Institute of Mental Health (CiMH), Texas Medication Algorithm Project (TMAP), other experts in the field, and consumers during the planning phase to develop deliverables. Specifically, CalMEND is to build upon the following existing models of mental health disease management and current state efforts to achieve its deliverables:

- The Texas Medication Algorithm Project and the CA Medication Algorithm Project, which is adapting the Texas model for use in local County Mental Health Plans, which uses evidence-based medication algorithms as a central component; and
- The efforts of the Common Drug Formulary System and Policy Oversight Committee developed in January 2003, in response to SB 1315 (Sher), Statutes of 2002, by several state departments, under the direction of the Department of General Services.

When full implemented, CalMEND is to have the following deliverables:

- Develop and implement clinical evidence-based treatment approaches including medication algorithms or equivalent clinical decision support systems for providers to use when making clinical treatment decisions;
- Improve client self-efficacy and compliance with medication and other treatment and mental health support regimens;
- Change the practice environment to support improved quality of care; and
- Develop a data infrastructure to improve upon data collection and analysis based upon common data sets and uniform documentation standards.

Additional Background. The Medi-Cal Program provides psychotherapeutic drugs to nearly 300,000 persons per month. The cost to Medi-Cal for the purchase of psychotherapeutic drugs needed to treat various mental health conditions was nearly $1 billion (total funds) in 2003-04. **The DHS estimates that about 10 to 15 percent of the cost of provision of drugs for the treatment of mental disorders is attributable to the inappropriate prescribing of more than one antipsychotic to an individual, which, for the most part, is considered to be an inappropriate prescribing practice.**

Subcommittee Staff Recommendation. It is **recommended to approve the request.** No issues have been raised by Subcommittee staff or the Legislative Analyst's Office.

Questions. The Subcommittee has requested the DHS to respond to the following questions.

1. DHS, Please provide a brief summary of the request.

6. Nursing Facility Waiver—Comply with SB 643 (Chesbro), Statutes of 2005

Issue. The DHS **is requesting 14 new positions for an increase of $1.1 million ($355, 000 General Fund) to expand the Nursing Facility Level A/Level B Waiver as required by SB 643, Statutes of 2005, to add 500 persons to the waiver**.

The Nursing Facility Level A/Level B Waiver provides home and community-based services to those individuals in Medi-Cal who would otherwise require institutionalization in a skilled nursing facility.

The requested positions include: (1) Ten Nurse Evaluator II's, **(2)** Two Nurse Evaluator III's and **(3)** an Office Technician. **These additional positions will** (1) support an increase in the Nursing Facility Level A/Level B Waiver enrollment capacity, (2) facilitate compliance with the Olmstead Decision (U.S. Supreme Court decision to provide community-based services), (3) assist in eliminating an existing waiting list for these services, (4) provide required technical assistance and case management services, and (5) maintain compliance with federal CMS requirements for administration of the waiver.

The legislation requires the DHS to:

- Submit an amendment to the federal CMS for the state's Nursing Facility Level A/Level B Waiver to add 500 eligible persons, with 250 of these individuals being residents of nursing homes and acute care hospitals;
- Include new services—community transition and habilitation services—in the waiver amendment;
- Adjudicate a claim for payment of services within an average of 30 days for individual nurse providers; and
- Meet certain reporting requirements to provide information to the Legislature.

Legislative Analyst's Office Recommendation—Approve as Proposed. The LAO recommends approval of the budget request as proposed. The workload is justified.

Subcommittee Staff Recommendation. It is **recommended to approval the proposal.** No issues have been raised. The proposal is consistent with the enabling statute.

7. DHS Staff for DDS Self-Directed Services Program, & Home & Community Waiver

Issue. The DHS is requesting two positions for an increase of $193,000 ($96,000 General Fund) to provide oversight to the Self-Directed Services Waiver Program operated by the Department of Developmental Services (DDS). The positions include an Associate Governmental Program Analyst and a Health Program Specialist I.

The DHS states that these positions are needed to carry out all required monitoring and administrative oversight activities, including the following:

- Respond to federal CMS requests for additional information, including written responses to ensure that appropriate consumer level of care has been determined and that plans of care appropriate and updated as consumer needs change;
- Provide consultation and research on the Waiver regarding regulations, statutes, and bill analyses;
- Provide ongoing administration of the Waiver by providing technical assistance, advice and policy consultation; and
- Oversee interagency agreement with the DDS, including reviewing federal fund claims;

Legislative Analyst's Office Recommendation—Delete One Position. The LAO recommends approving only the Health Program Specialist I position for savings of $100,000 ($50,000 General Fund). The LAO notes that the workload for two positions is not warranted.

Subcommittee Staff Recommendation. Subcommittee staff **concurs with the LAO.** Expansion of the DDS Self-Determination Project has been delayed due to problems associated with CADDIS (DDS' information management system which was discussed in the April 3rd hearing). **One position is warranted in order to ensure compliance with the federal CMS regarding the existing program and to prepare for the upcoming expansion.**

Questions. The Subcommittee has requested the DHS to respond to the following questions.

1. **DHS,** Please provide a brief summary of the request.

8. Implementation of Assisted Living Waiver Pilot Project

Issue. The DHS **is requesting six positions and contract funds for an increase of $1.2 million ($467,000 General Fund) to implement, monitor, and perform oversight functions required by this pilot project.** The DHS positions include two Nurse Evaluator II's and four Nurse Evaluators. Of the requested amount, $523,000 (total funds) is for contracts.

The Assisted Living Waiver has been approved by the federal CMS and the DHS states that implementation of the Waiver will commence in the current-year (i.e., **no people have as yet been enrolled**). This Waiver Pilot will serve adults with disabilities who meet the intermediate care, Nursing Facility Level A/Level B, or skilled nursing level of care.

It will operate in Sacramento, San Joaquin and Los Angeles. A total of 15 participating facilities in these areas have identified by the DHS. It is assumed that the Waiver Pilot will have a phased-in approach to enrollment with total enrollment being no more than 1,000 participants. **The Waiver application submitted by the DHS projects 200 enrollees in year one, 600 by year two, and 1,000 by year three.**

This Waiver differs from the Nursing Facility Level A/Level B Waiver in several important ways. The target population is different (this Waiver does not include anyone under 21 years). This Waiver is restricted to participating Residential Care Facilities for the Elderly and publicly subsidized housing sites. Lastly, this Waiver is a full-time benefit that is shared among other waiver enrollees in the same setting.

Legislative Analyst's Office Recommendation—Fund Half of the Positions. The LAO recommends providing a total of three positions since it is unlikely that participation in the Waiver project will reach the level originally anticipated. **Therefore, savings of $362,000 ($107,000 General Fund) would be achieved.**

Subcommittee Staff Recommendation. Subcommittee staff **concurs** with the Legislative Analyst's Office recommendation.

Questions. The Subcommittee has requested the DHS to respond to the following question.

1. DHS, Please provide a brief summary of the request.

9. Develop a New Long-Term Care Community Options Assessment Tool

Issue. The DHS **is requesting an Associate Governmental Program Analyst position and contract funds for an increase of $595,000 ($297,000 General Fund) to develop and test a new "Community Options & Assessment Protocol" (COAP) which would be used across multiple state departments and their vendors for programs designed to help individuals remain in their homes instead of nursing facilities..** Of the amount requested, $500,000 is for contracts.

Currently there is no protocol for proactively assessing individual's preferences, needs and access to home and community-based alternatives before admission to a nursing facility. There is no consistency between assessment data elements and definitions that allow community-based health and supportive service programs to share relevant information when it would benefit an individual trying to access multiple services and supports instead of being admitted to a nursing facility. The lack of a uniform assessment tool and protocol was identified as a high priority for resolution under California's Olmstead Plan.

This proposal requires statutory change to implement. AB 3019 (Daucher), as introduced, is the Administration's sponsored legislation for this purpose. This legislation is scheduled to be heard in Assembly Health Committee on April 18th.

Subcommittee Staff Recommendation—Deny and Place in Legislation. It is recommended to deny these requested funds since policy legislation is pending before the Legislature. **The resources necessary to implement the COAP should be placed into the legislation.**

LAST PAGE OF AGENDA